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DIRECTORATE OF INTELLIGENCE

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North Korea's Competition With the
South Heats Up []

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Summary

Since the late 1960s, North and South Korea have competed fiercely for diplomatic recognition and political influence as well as for allies who would back them. In recent months, Peru has been the focus of a particularly intense struggle, with each side using proven economic and diplomatic tactics. Despite the 11th-hour setback to P'yongyang's efforts to secure diplomatic recognition from Lima last November, when pressure from Seoul as well as dissension in Peru altered President Garcia's decision, the North is unlikely to give up the struggle to expand into traditionally "South Korean" territory in Central and South America. We also expect the Korean rivalry to escalate, particularly in Africa, as P'yongyang tries to drum up support for its faltering bid to cohost the 1988 Olympics or, if this fails, to lead a boycott of the games in

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Seoul. North Korea may cooperate with the Soviet Union in the Third World on a case-by-case basis, but its major activities, in our view, are driven by a desire for international prestige and support for its reunification goals, rather than issuing from an assigned role as a Soviet surrogate. [redacted]

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Longstanding Rivalry

Over the past two years, P'yongyang has escalated its diplomatic competition with Seoul to refurbish its international standing following the 1983 Rangoon bombing and Seoul's success in winning sponsorship of the 1986 Asian Games and 1988 Olympics. In particular, North Korea is attempting to secure new footholds in Central and South America, where the South has made extensive inroads, and to hold its own in the Caribbean, where Seoul has mounted its own diplomatic push. Only 10 of 33 countries in the region formally recognize North Korea and only four resident North Korean ambassadors are in place. (See chart.) [redacted]

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P'yongyang faces an uphill battle. South Korea has been skillful in depicting North Korea as a pariah state that foments insurrection and subversion, an image that strikes a responsive chord with many Latin American leaders concerned about external powers meddling in domestic politics. For example, in 1985 the South Koreans told Peruvian leaders they had "conclusive proof" that two Sendero Luminoso terrorists were trained in North Korea in the 1970s--a charge we have been unable to confirm. Seoul almost certainly has spread other information about North Korean activities in Latin America. Moreover, North Korea's reputation as a provider of clandestine training, and efforts by local groups to find benefactors, undoubtedly aid the South Korean cause. As a case in point, press releases after the US intervention in Grenada in October 1983 revealed the existence of secret treaties under which North Korea, Cuba, and the Soviet Union agreed to provide free weapons and ammunition to the leftist Bishop regime. The South Korean Foreign Ministry publicized North Korean activity in Grenada as an example of P'yongyang's attempt to "export" Communist revolution to Central and South America. [redacted]

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Seoul has a substantial advantage over P'yongyang when it comes to offering aid or increased trade. In recent months, South Korea has used this leverage to best the North in the Caribbean, winning recognition from the Bahamas, St. Christopher-Nevis, and Trinidad and Tobago. These gains are probably all the more disturbing to the North because of P'yongyang's setbacks in the region and the generally more conservative political trends there in the aftermath of the Grenada episode. P'yongyang's mission was expelled from Grenada in November 1983, and according to sources of the US Embassy in Bridgetown, the North's relations

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[redacted]

with St. Vincent have deteriorated to the point of virtual nonrecognition. [redacted]

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Countries that are targets of the competition between North and South frequently play the rivalry to their own advantage. Some have withheld recognition of South Korea or accreditation of its ambassadors (Belize, Trinidad and Tobago, and Guyana) or threatened to recognize North Korea (Bolivia, Argentina, and Peru) in order to extract commercial concessions. Recognizing that money speaks louder than proselytization in many developing countries, Seoul has been willing to endure imbalanced trade to block its rival. [redacted]

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North Korean Tactics in Peru: A Case Study

Peru has been the site of intense North-South rivalry during the past year. North Korea established a trade office in Peru in 1974; in 1981, following an exchange of official visits and a North Korean pledge to support Peru's claim of 200-mile territorial waters, P'yongyang almost won diplomatic recognition. With promises of its own, however, South Korea convinced President Belaunde to postpone recognition indefinitely. The North next focused on the American Popular Revolutionary Alliance Party (APRA) and its presidential candidate, Alan Garcia. The North Koreans gave Garcia the red carpet treatment during two highly publicized visits to P'yongyang in 1983 and 1984. Even more important, according to sources of the US Embassy in Lima, P'yongyang helped Garcia finance his campaign. [redacted]

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The North Korean effort in Peru typifies P'yongyang's use of two important policy tools--political funding and "trade offices." [redacted]

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Funding. Financial backing for local political groups is a common North Korean tactic. For example, the North is trying to use financial support to revive its influence in Jamaica, where its presence dates from the beginning of Michael Manley's tenure as Prime Minister in 1974. Throughout the 1970s, North Korea maintained an active embassy that performed normal diplomatic functions and probably--like P'yongyang's other missions--conducted smuggling and black marketeering in order to fund the post. With Edward Seaga's election as Prime Minister in 1980, North Korean influence declined as Jamaica shifted politically from left to center. [redacted]

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Recent reporting from the US Embassy in Bridgetown indicates that North Korea is seeking out and offering financial support to "up and coming leftist" politicians elsewhere in the Caribbean in the hope of consolidating its position there. [REDACTED]

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The Trade Office Connection. P'yongyang's trade office in Lima was a major element in the North Korean campaign for recognition. The trade offices have frequently been used as a first step toward more formal ties. For example, in 1984, following President Mitterrand's campaign promise to recognize P'yongyang, North Korea upgraded its "commercial delegation" in Paris to a "general delegation," but South Korea, with US support, intervened to prevent further expansion of ties. With the low volume of trade between Peru and North Korea, the Lima office, in practice, is largely dedicated to political activities and serves as a base for North Korea's operations elsewhere in the region. In addition to activities in Peru, trade office members have tried to foster pro-North Korean cultural and friendship associations in Colombia, Honduras, and Mexico, and traveled to capitals where there is no official North Korean presence. Like the trade offices, friendship associations have served P'yongyang as a foot in the door and a means to win the establishment of diplomatic missions. [REDACTED]

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Together, funding and trade office tactics in Peru won the support of some of Garcia's senior advisers. As early as March 1984, APRA parliamentarian and Garcia confidant Carlos Roca told US Embassy officials in Lima that the new APRA government would establish diplomatic relations with North Korea. In the months following Garcia's July 1985 inauguration, recognition of P'yongyang seemed increasingly likely. By October, all reporting indicated that Garcia would establish relations with North Korea the following month. [REDACTED]

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South Korean Countermoves

Between July and October, South Korea responded to the North's apparent success by using one of its most effective weapons--economic inducement. According to US Embassy officials in Lima, Roca said that a South Korean diplomat had warned that Seoul might reconsider its large annual purchase of iron ore if Peru recognized the North. President Chun Doo Hwan also sent a special envoy to discuss bilateral trade cooperation with the new Peruvian administration. In addition to the carrot-stick approach, South Korea asked the United States to oppose a

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Peruvian movement toward recognition. In early November, Foreign Minister Allan Wagner notified the North Korean trade office that establishment of relations would be postponed indefinitely. [redacted]

We believe Peru's last-minute reversal reflects South Korea's success in capitalizing on a division among Garcia's advisers on the issue. APRA moderates won out, perhaps only temporarily, by persuading Garcia that Peruvian interests would be better served by placating South Korea while offering the North a gradual upgrading of its status. Specifically, Garcia's advisers proposed opening a Peruvian trade office in P'yongyang and holding out the possibility of establishing consular relations should North Korea expand trade with Peru. If trade increased sufficiently (and, by implication, if South Korea did not extend a generous counteroffer), Peru would then establish diplomatic relations with North Korea. [redacted]

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Still hoping for formal recognition, North Korea rejected this plan, according to sources of the US Embassy in Lima. Because of apparently shifting coalitions among APRA advisers, however, Garcia may be reconsidering his decision. In late November, APRA Secretary General Armando Villanueva spoke favorably of North Korean recognition on Peruvian television. Furthermore, Roca, who had been out of the country when Wagner summoned the North Koreans, has returned to Peru and is lobbying on P'yongyang's behalf. In the near term, Garcia's concern about Peru's relations with the United States may temper his actions toward North Korea. According to the South Korean ambassador to Lima, in late December Garcia asked for Seoul's assistance in serving as a bridge to Washington. [redacted]

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Outlook: In Peru and Beyond

Given Garcia's vacillation on the recognition issue, North Korea is certain to continue pressing, and South Korea will remain alert for a shift in Peru's position. Garcia's ambivalence and the lack of unanimous support for recognition among his advisers also may require North Korea to sweeten its offer with substantial financial commitments. [redacted]

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[redacted] would be politically unwise to accept free weapons. Instead, Vice Minister of the Interior Maximo Mantilla made an official visit to P'yongyang in early January 1986 to buy the rifles at cost. [redacted]

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Even if P'yongyang attempts to increase trade and economic aid, however, it will be hard to outdo Seoul, which has announced plans to increase trade and technological ties with Peru, Brazil, and Panama. [redacted]

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[redacted] Seoul plans to step up its economic activity in the region, hoping to increase indirectly its exports to the [redacted]

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United States by encouraging the private sector to build factories in Caribbean Basin Initiative (CBI) countries. Using local labor, the factories would finish or repackage Korean goods, such as cameras, photo albums, and luggage. [redacted]

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We believe that the late 1980s will be a critical period for North Korean diplomacy. P'yongyang's international standing, already undercut by the Rangoon bombing, will be further eroded if it cannot generate some Third World support for either its cohosting or a boycott of the 1988 Olympics. The North's pretensions to a leadership role in the Third World almost certainly will lead it to seek international backing for its position on reunification in the North-South talks as well. In the North-South dialogue, P'yongyang has projected an image of cooperation while accusing Seoul of insincerity and stalling. Third World forums in the past have given the North opportunities to contend that its anti-US and anti-South Korean arguments have broadly based fraternal support. [redacted]

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On the basis of its behavior in Latin America and elsewhere--evidenced by recent high-level visits to Indonesia, Malaysia, Pakistan, and Singapore--we believe that North Korea has tried to repair its international reputation since Rangoon by adopting a moderate tone in discussions with Third World governments. The shift in tactics, in our view, has been driven in part by North Korea's failure to achieve its goals through unconventional means such as bribery, blackmail, kidnaping, and assassination, pushing P'yongyang to choose consciously to foster a public image of respectability. Nonetheless, the North obviously retains the option of choosing other methods, if its more conventional approach does not produce results. [redacted]

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The North Korean trade office in Lima--P'yongyang's only representation in South America outside Guyana--will probably continue to push the North's cause actively, seeking to establish new ties, as well as to maintain current ones, check Seoul's influence, and mobilize support for P'yongyang's longstanding demand for withdrawal of US troops from South Korea. The North will probably be most tenacious in its drive for diplomatic recognition in countries where it has already made substantial investment in opposition leaders [redacted]

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[redacted] P'yongyang's softer line will probably continue to include promoting cultural and study groups, such as those already in place in Honduras, Mexico, and Colombia. Even so, we expect the North to keep alert to opportunities for intervention in countries with economic or political problems--Bolivia, Colombia, and the Dominican Republic, for example--where P'yongyang can offer funds or arms to insurgents. [redacted]

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Because P'yongyang has long kept its distance from Moscow, we do not believe that the improved Soviet-North Korean relationship will produce a coordinated approach to intervention

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in the Third World soon. North Korea has sometimes worked with other activists, such as Cuba and Libya, to gain influence in South and Central America. All three, for example, made financial contributions to political campaigns in Jamaica and Dominica. More often than not, however, P'yongyang appears to be in competition with Havana and Tripoli--and running a distant third place. Overall, P'yongyang's activities will continue to derive more from a uniquely Korean struggle than from the larger East-West competition. [REDACTED]

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North and South Korea Diplomatic Relations, 1985

Regional total: 33 countries 10 North Korea 31 South Korea

<u>Caribbean</u>	<u>North Korea</u>	<u>South Korea</u>
Antigua-Barbuda	no	yes (nonres.)
Bahamas	no	yes
Barbados	yes ² (nonres.)	yes ¹
Cuba	yes ²	no
Dominica	yes (no amb.)	yes
Dominican Republic	no	yes
Grenada	no	yes (nonres.)
Haiti	no	yes (nonres.) 3
Jamaica	yes	yes
St. Christopher-Nevis	no	yes (nonres.)
St. Lucia	yes (nonres.)	yes (nonres.)
St. Vincent-Grenadines	yes (no amb.)	yes (nonres.)
Trinidad and Tobago	no	yes ⁴
Total of 13 countries	<u>6</u>	<u>12</u>

<u>Central America</u>	<u>North Korea</u>	<u>South Korea</u>
Belize	no	no
Costa Rica	no	yes
El Salvador	no	yes
Guatemala	no	yes
Honduras	no	yes
Mexico	yes (no amb.)	yes
Nicaragua	yes	yes (no amb.)
Panama	no	yes
Total of 8 countries	<u>2</u>	<u>7</u>

<u>South America</u>	<u>North Korea</u>	<u>South Korea</u>
Argentina	no	yes
Bolivia	no	yes
Brazil	no	yes
Chile	no	yes
Colombia	no	yes
Ecuador	no	yes
Guyana	yes ⁵	yes (no amb.)
Paraguay	no	yes
Peru	no (trade office)	yes
Suriname	no	yes
Uruguay	no	yes
Venezuela	yes (nonres.)	yes
Total of 12 countries	<u>2</u>	<u>12</u>

¹South Korean Ambassador to Barbados is concurrent to Antigua-Barbuda, Dominica, St. Christopher-Nevis, St. Lucia, St. Vincent-Grenadines.

²North Korean Ambassador to Cuba is concurrent to Venezuela.

³South Korean Ambassador to Venezuela is concurrent to Haiti.

⁴South Korean Ambassaodr to Trinidad-Tobago is concurrent to Grenada.

⁵North Korean Ambassador to Guyana is concurrent to St. Lucia, Barbados.

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SUBJECT: North Korea's Competition With the South Heats Up [REDACTED]

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